Financial Evaluation of I-81 PPTA Solicited Proposals

Evaluations presented today are based on two key assumptions:

- Cost is reasonable for work being proposed
- Schedule is reasonable for work being proposed

These two assumptions will be tested by the construction team established under the Chief Engineer. Those findings will be presented at the next meeting.

Components of Financial Evaluation

The Request for Proposal included the following financial evaluation statements and questions:

As part of "Issues VDOT views as important to the successful development of the I-81 corridor":

> *Practical or innovative financial risk-sharing mechanisms that assure that the private sector will be legally recognized as an at-risk partner with the public sector*

As part of the Proposal Evaluation and Selection Criteria – Project Characteristics:

> *Does the team possess the necessary financial...resources to successfully complete the project? Do the team and/or member firms have competing financial or workforce commitments that may inhibit success and follow through on this project?*
>
> *Is the financial information submitted on the firms sufficient to determine the firm's capabilities to fulfill its obligations described in the project's proposal?*

As part of the Proposal Evaluation and Selection Criteria – Project Financing:

> *Has the proposer provided a financial plan and financial guarantees which will allow for access to the necessary capital to finance the facility?*

1) *Financing – Did the proposer demonstrate evidence of its ability and commitment to provide sufficient equity in the project as well as the ability to obtain the necessary financing?*

2) *Financial Plan – Does the financial plan demonstrate a reasonable basis for funding project development and operations? Are the assumptions on which the plan is based well defined and reasonable in nature? Are the plan's risk factors identified and dealt with sufficiently? Are the planned resources of funding and financing realistic? Does the proposer make a financial contribution to the project?*

3) *Estimated Cost – Is the estimated cost of the facility reasonable in relation to the cost of similar projects. A significant portion of the final determination will rely on a cost/benefit analysis.*

4) *Life Cycle Cost Analysis – Does the proposal include an appropriately conducted analysis of projected rate of return and life cycle cost estimate of the proposed project and/or facility?*

5) *Does the proposer clearly outline his reason for pursuing this project? Do his assumptions appear reasonable?*

Evaluation Process

Public Resources Advisory Group (PRAG), the Commonwealth Transportation Board's financial advisor, conducted an independent review of each proposal and the financial strength of the legal entity who will sign any comprehensive agreement

Financial staff conducted an independent evaluations of each proposal, worked with FHWA on several components, and conducted literature searches

The CTB's bond counsel, Troutman Sanders, was also consulted on a number of general debt-related issues.

FINANCIAL EVALUATION
OF STAR SOLUTIONS' I-81 PPTA PROPOSAL

STAR Solutions I-81 Detailed Proposal
Financial Proposal Summary

Spending

Project Construction Costs (in year of construction $)	$ 7,106.0 million
Additional Financing Costs	$ 2,773.7 (1)
Pavement Warranty	$ 834.0
Replacement Reserve (toll equipment)	$ 165.2
	$10,879.1 million

(1) Includes debt service reserve fund, capitalized interest, cost of issuance, bond insurance premium, toll replacement reserve deposit and cash flow notes repayment.

Sources

Toll Revenue Bonds	$ 5,931.6 million
BANs/Federal TIFIA Program	$ 1,284.6
Federal Earmarks	$ 1,600.0
Net Toll Revenue	$ 901.7
Cash Flow Notes	$ 900.0
Investment Earnings	$ 214.2
CTB I-81 Allocations	$ 98.0 million
	$10,930.1 million
Cumulative Surplus at end of 2018	**$ 50.9 million**

What the Star Solutions Financial Plan Does Not Appear to Include:

- On-going maintenance cost of entire facility; pavement not included in warranty
- Rail option
- Toll transaction costs for Smart Tag/EZ Pass

Toll Revenue Bonds

Four issues in 2005, 2010, 2012, and 2015 to correspond with four phases of work, **in each bond issue bond interest payments are capitalized between 3 to 5 years.**

> **Issuer: somewhat unclear but reference is made to an undefined 63-20 corporation**

Debt will be for 40 years backed solely by toll revenues with municipal bond insurance purchased to upgrade the value of the bonds and lower their costs. According to STAR Solutions' proposal, the toll revenues will be sufficient to generate the minimum 1 ½ times the amount of funding needed for debt service payments that STAR Solutions believes is sufficient to obtain investment grade ratings.

At highest level, annual debt service for the toll revenue bonds will reach $940.2 million in 2044.

BANSs/Federal TIFIA Program

Bond Anticipation Notes (BANs) are short-term debt instruments typically used to provide "bridge" funding until long-term debt is issued.

STAR Solutions' proposal assumes four issues in 2005, 2010, 2012, and 2015; assume that the 63-20 is the project sponsor.

TIFIA secured loans will be used to retire the BANs and will be for 35 years backed solely by toll revenues. **The TIFIA loan structure proposed by STAR also assumes that the maximum 5-year deferral in loan repayments occurs**. Repayment of the TIFIA loan is subordinate to the toll revenue bonds. With debt service on the toll revenue bonds, minimum debt service coverage is 1.18 times to 1.21 times.

At highest level, loan repayment will reach $179.4 million in 2040. In total, debt/loan service in the 2040 decade will exceed $1 billion a year.

While 68% of the project will be paid for with debt, the repayment of the interest on that debt will be deferred up to 5 years after the phase is complete. For the TIFIA program, this is the maximum time allowed for deferral of interest payments. Additionally, debt service is structured as increasing with 1.50 times coverage on senior debt and minimum 1.18 times to 1.21 times coverage on all debt, including TIFIA repayments. As a result, the financial plan leaves little room for error in traffic assumptions, toll revenue collection, or adjustments in project costs.

Refined traffic and revenue studies and discussions with rating agencies are needed to determine if investment grade ratings can be obtained at the level of funding proposed.

STAR Solutions also proposes to negotiate with VDOT a non-compete covenant that would protect the project's ability to generate toll revenues. This covenant would include rail improvements. As described, the proposal would require VDOT, and other state agencies, to potentially preclude future development of the high speed rail or additional lanes in the I-95 corridor, the Route 29 corridor, I-73, the Coalfields Expressway, and other projects that would have the potential to carry some truck traffic that currently uses I-81.

STAR Solutions proposes that each time any such improvement, yet to be defined, is considered, VDOT or other state agencies would have to pay for an investment grade feasibility study and would not be allowed to make the improvement if it was found to have an impact.

<u>What is a 63-20?</u>

The 63-20 designation refers to Section 103 of the Internal Revenue Code that permits tax-exempt debt to be issued by a non-profit corporation acting "on behalf of" a state or local governmental unit. The association can issue bonds backed by any number of revenue sources, including tolls.

In Virginia, Route 895, the Pochahontas Parkway was financed through a 63-20. Ultimately, while the Commonwealth owns the road, the 63-20 corporation owns the toll revenue stream until the debt is paid off. **While the debt is not debt of the Commonwealth, the association is considered a blended component unit of the Commonwealth for financial reporting purposes.**

<u>What is TIFIA?</u>

The federal Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) is a program that provides three forms of credit assistance: secured (direct) loans, loan guarantees, and standby lines of credit. STAR Solutions' proposal assumes a secured (direct) loan structure. The TIFIA credit assistance cannot exceed 33 percent of the project's eligible costs. In addition, TIFIA requires an investment grade rating on the senior bonds, and the loan must be repaid within 35 years.

The public policy underlying TIFIA is that the federal government can perform a constructive role in supplementing, but not supplanting, existing capital finance markets for large transportation projects. **While the TIFIA loan can be subordinate to the toll revenue bonds for repayment, they become equal to those bonds if the project sponsor becomes bankrupt, insolvent, or liquidates.**

TIFIA program guidelines requires that the project sponsor demonstrate relevant experience, strong qualifications, a sound project approach, and financial stability. Other federal standards also apply. **It is unclear who the project sponsor is for this project. A Star Solutions team member (not KBR) provided a letter to the federal TIFIA**

office a letter indicating interest in pursuing TIFIA for the project. The TIFIA office has reported this letter as "intent" in its annual report.

Tolls

Assumed Toll Rates
Cents Per Mile – Heavy Commercial Vehicles Only

Phase	MP/(miles)	2007	2009	2011	2015	2019
1	180-227 (47)	12.3	**27.4**	29.0	32.7	36.8
2	156-252 (49)	-	12.6	**29.0**	32.7	36.8
3	84-302 (122)	-	12.6	13.8	**32.7**	36.8
4	0-323 (105)	-	12.6	13.8	15.6	**36.8**

Bold indicates assumed year of phase completion.

STAR Solutions' proposal assumes that the tolls will increase a minimum of 3 percent each year and that heavy traffic volume will increase as well. In FY 03 dollars, the 36.8 cent toll is equal to 22.9 cents.

By 2009, tolls are to be collected along the entire corridor with varying rates depending on which segment of the corridor is used by the heavy commercial vehicle. The fully phased in toll rate when compared to those of surrounding facilities is higher in most cases.

	Truck Toll (2003 $)
STAR Proposal for I-81 (2003 $)	22.9 cents
Delaware Turnpike	45.0
Maryland (JFK Memorial Highway)	16.0
Pennsylvania Turnpike	15.5
New Jersey Turnpike	19.0
West Virginia Turnpike	14.5

Toll revenues are the only pledged source of revenues for the toll revenue bonds and the TIFIA loan.

Use of Toll Revenues
The use of toll revenues as outlined in the proposal are as follows:

1) recurring annual toll collection costs and 63-20 administration costs
2) toll revenue bond debt service
3) replenishment of toll revenue bond debt service reserves

4) repayment requirements on TIFIA loans
5) incentive payments to contractors for early completion
6) deposit to toll facilities replacement reserve
7) deposit to other required reserves
8) deposit to VDOT reimbursement fund, out of which VDOT is reimbursed for asset management costs and potentially for capital contributions to the I-81 project
9) deposit of all remaining revenues to Corridor Improvement Fund.

In the additional November 7, 2003 information, STAR Solutions states that the pavement warranty will also be paid for from toll revenue. The cost of that warranty is $834 million.

Staff has requested guidance from FHWA and CTB bond counsel whether a pavement warranty is a justifiable expense from the proposed sources other than toll revenues. If not, STAR Solutions may have to adjust its revenue sources, reduce its cost, and/or extend its schedule for completion because of this additional cost which has not been considered in the flow of funds outlined above.

Another issues is that throughout the proposal, STAR refers to a "net revenue" pledge for the bonds. "Net revenue" typically means that all operations and maintenance expenses are paid first prior to debt service. For example, the Dulles Toll Road's debt is structured with a net revenue pledge of debt service.

However, the proposal is not a pure net revenue pledge because STAR has assumed that only toll collection expenses will be paid from toll revenues and VDOT will continue to pay all other maintenance and operational costs along the I-81 corridor and only reimbursed for those costs after all STAR costs and debt service/loan payments are paid. Therefore, as proposed, it is not a pure net revenue pledge. Ordinary maintenance expenditures in FY 03 in the I-81 corridor totaled more than $31 million.

A critical related issue is that in March 2003, FHWA granted a "conditional provisional" to the pilot tolling of I-81 subject to environmental clearances and other federal requirements. The pilot tolling is authorized as part of Section 1216(b) of TEA-21. Upon implementation of the pilot, Interstate Maintenance funds cannot be used on any segment being tolled. This restriction will apply to the general lanes as well as any special purpose lanes and will be in place until all debt is paid off. This restriction places a significant financial risk on the Commonwealth for addressing resurfacing, reconstruction, and restoration of the interstate and its ramps.

Federal Earmarks & Other Federal Sources

In the detailed proposal, STAR Solutions states that it will partner with VDOT and USDOT to obtain federal earmarks as well as pursue funding from other federal programs. The financial plan includes $1.6 billion in federal earmarks between 2004 and 2011.

No federal earmarks have yet occurred and the structure of any earmark is critical. The Woodrow Wilson Bridge special federal funds have been in addition to Virginia's formula share. Therefore, the bridge reconstruction portion of this project has not reduced the amount of federal funds available to Virginia's transportation programs.

However, other earmarks have. For example, during the TEA-21 (the current federal reauthorization) authorization process, the high-priority earmarks funded were subtracted from the total amount that was apportioned to the Commonwealth. To illustrate:

Total Formula Share to the Commonwealth	$100 million
Earmark	(10 million)
Distributed through federal programs	$ 90 million

If the federal earmark, which is assumed to be as high as $400 million in one year, is subtracted from Virginia's total federal formula share, the effect on the rest of the transportation improvement program would be devastating to both the mass transit and highway construction programs.

Also, if the earmark is not 100 percent federal funds, either toll revenues or some other source would have to be used to provide the required matching funds. Typically, interstate projects are funded 80 percent federal and 20 percent other. For every $100 million in federal funds, $20 million in match funding must be provided. By current state law, if the earmark was classified as "federal interstate funds", the source of the match would be the state highway allocation formula (the primary, secondary, and urban systems).

Typically, the federal transportation program is a reimbursement program. This means that non-federal revenues must be used first to pay project costs. Then, the Commonwealth, as the federal fiscal agent, may bill FHWA for reimbursement. Cash flow will have to be closely monitored with the federal funds assumed to be spent each year to ensure that other on-going spending is not negatively impacted as a result of the project.

Staff have requested from FHWA if there any options for federal funding which are not on a reimbursement basis.

<u>Other Aspects of STAR Solutions' Financial Plan</u>

Practical or innovative financial risk-sharing mechanisms that assure that the private sector will be legally recognized as an at-risk partner with the public sector

The clearest financial risk that STAR Solutions' has indicated is the development risk of the proposal. The RFP clearly stated that these costs would not be recoverable as part of the project.

The provision of a $100 million line of credit is subject to certain conditions and approval. There are restrictions on its availability and STAR Solutions' assumes that that line of credit will be repaid with interest.

The legal structure of STAR Solutions nor the 63-20 have yet to be defined so it is unclear whether it will be a legally recognized risk partner.

Does the team possess the necessary financial...resources to successfully complete the project? Do the team and/or member firms have competing financial or workforce commitments that may inhibit success and follow through on this project?

During the Advisory Panel's meeting on October 2, 2003, STAR Solutions stated that KBR would legally sign any comprehensive agreement and that Halliburton would offer the parent guarantee.

Public Resources Advisory Group (PRAG), the Commonwealth Transportation Board's independent financial advisor, researched the financial stability and commitments of Halliburton. A copy is attached. Financial statements for Kellogg, Brown & Root were not provided and could not be obtained through publicly available sources. Five key points are highlighted by PRAG.

First, Halliburton is a very large company with total assets exceeding $14 billion. Its stock is traded on the NYSE and its stock price as of October 27, 2003 was near its 52-week high.

Second, in December 2002, Halliburton announced a proposed global settlement agreement to resolve all of its present and future personal injury asbestos claims. The proposed agreement would require Halliburton to pay into one or more trusts $2.8 billion in cash, 60 million in shares (or $1.5 billion based on current stock price), and notes of less than $100 million. The agreement is to be implemented through a "pre-packaged" bankruptcy filing under Chapter 11 for certain company subsidiaries, including Kellogg, Brown & Root. PRAG points out that the settlement is costly and would require additional borrowing to finance. It would, however, resolve a potentially open-ended liability.

Third, the Chapter 11 filing will constitute an event of default under a contract between KBR and Barracuda & Caratinga Leasing Company B.V. to develop crude oil fields off the coast of Brazil. The default would allow the leasing company to draw on performance letters of credit of approximately $266 million unless they grant a waiver. Damages and advance payment restitution may be required. Halliburton is guaranteeing KBR's performance and a retainage letter of credit was provided. While the firm believes these events would be unlikely, their occurrence would have a material adverse effect on Halliburton's financial condition.

Fourth, Halliburton's credit ratings on long-term outstanding debt of $2.4 billion as of June 30, 2003 are on watch for possible downgrade from Baa2 and BBB from Moody's and S&P, respectively. The potential effect of the asbestos settlement related cash payments on Halliburton's financial and liquidity position is a factor considered in their outlook.

Fifth, Halliburton has also disclosed that it is the subject of a formal SEC investigation into the firm's accounting practices related to cost overruns and unapproved claims on long-term engineering and construction projects. The firm believes that it has followed widely accepted accounting practices but the SEC could conclude otherwise.

FINANCIAL EVALUATION
OF FLUOR VIRGINIA, INC. I-81 PPTA PROPOSAL

Fluor I-81 Detailed Proposal
Financial Proposal Summary

Spending

Project Construction Costs (in year of construction $)	$5,878.0 million
Additional Financing Costs	$1,138.9 (1)
	$7,016.9 million

(1) Includes debt service reserve fund, capitalized interest, cost of issuance.

Sources

Toll Revenue Bonds	$6,438.4 million
Net Toll Revenue	$ 150.0
Investment Earnings	$ 428.5
	$7,016.9 million

What the Fluor Financial Plan Does Not Include:

- On-going maintenance cost of entire facility
- Rail option

Practical or innovative financial risk-sharing mechanisms that assure that the private sector will be legally recognized as an at-risk partner with the public sector

Fluor assumes that $53 million in development costs will be paid. The RFP clearly states that these costs would not be recoverable as part of the project.

The legal structure of the 63-20 has not been defined so it is unclear whether it will create a legally recognized risk partner for Fluor.

Fluor states that it will consider taking a risk position in the transaction to mitigate revenue realization risk, as it did in the Pocahontas Parkway transaction, where the partners of the joint venture provided a revolving line of credit of to be available to pay debt service under certain circumstances.

Does the team possess the necessary financial...resources to successfully complete the project? Do the team and/or member firms have competing financial or workforce commitments that may inhibit success and follow through on this project?

As proposed, Fluor Virginia, Inc. will enter into any comprehensive agreement with the Virginia Department of Transportation. **Fluor Corporation is assumed to be the parent corporation but this should be confirmed.**

Each of the three design-build teams will also provide the completion guarantee and fixed price guarantee along with payment and performance bonds and liquidated damages. **As proposed, the teams are severally liable for completing their respective sections. The downside is that no single company appears ultimately responsible for completing the entire project.** These three teams are (i) Fluor, (ii) Gilbert Southern Corp., a subsidiary of Peter Kiewit Sons Inc, and (iii) a joint venture between Granite Construction Company and Lane Construction Corporation. All companies, including Fluor, attested to or provided letters from sureties stating the established relationships between the companies and their bond companies.

Joint and several contracts should be considered for any comprehensive agreement.

Further, completion guarantees from the ultimate parent companies should be required in any comprehensive agreement. In addition, updated and current financial information should be provided for all parent companies with a leadership role in the project.

Public Resources Advisory Group (PRAG), the Commonwealth Transportation Board's independent financial advisor, researched the financial stability and commitments of these four firms using publicly available information. A copy is attached.

For Fluor Corporation, total average revenues for the last three years have been $9.4 billion. The Corporation had total assets of approximately $3.2 billion as of June 30, 2003, with current assets exceeding current liabilities 1.22 times. Fluor's credit ratings on long-term outstanding debt of $144 million as of June 30, 2003 are A3/A from both Moody's and S&P. Fluor's stock is traded on the NYSE and its stock prices as of October 27, 2003 were near its 52-week high.

Peter Kiewit Sons Incorporated had total revenues of $3.7 billion and net income of $193 million in 2002. The company had $24 million in long-term debt with additional long-term liabilities of $47 million. PRAG found that Kiewet's liquidity and financial position have been relatively stable.

Granite Construction Incorporated had total assets of $1.03 billion as of June 30, 2003, with current assets exceeding liabilities 1.59 times. Long-term debt totaled $131 million. Granite's stock is traded on the NYSE and its stock prices were 9 percent less than its 52-week high ($19.50 compared to $21.54 as of October 27, 2003). Like Kiewet, Granite's liquidity and financial position have been relatively stable. **However, its current cash**

position might be limited given the size of the proposed project and the size of its joint-venture partner Lane Construction Company. Limited information was available to evaluate Lane's financial position.

Toll Revenue Bonds

Two issues, one in 2006 and 2010, are assumed in Fluor's proposal. **For the 2006 series, there is a 5-year delay in bond interest payments and toll revenues start paying debt service in 2012 and 2014 for the 2006 series and 2010 series, respectively.**

The issuer of the bonds is assumed to be a 63-20 corporation. However, no actions have been taken to establish the corporation or define its members or legal structure.

The 2006 series has a final maturity of 34 years while the 2010 series is for 38 years. According to Fluor's proposal, the toll revenues will be sufficient to generate the minimum 1 ½ times the amount of funding needed for debt service payments on the senior debt that Fluor believes is sufficient to obtain investment grade ratings. On all debt, including senior and subordinate debt, toll revenues will cover debt service by 1.13 times.

At its highest level, annual debt service for the toll revenue bonds will reach $1.3 billion in 2040.

With 100 percent of the project financed with debt and debt service structured to be increasing with 1.13 times debt service coverage on all debt, the financial plan leaves little room for error in traffic assumptions, toll revenue collection, or adjustments in project costs.

Refined traffic and revenue studies and discussions with rating agencies are needed to determine if investment grade ratings can be obtained at the level of funding proposed.

On November 12, 2003, Fitch Ratings, one of the three rating agencies, released its analysis and report on toll road forecasting. A number of observations and concerns were raised, including:

- **poor traffic forecasting for financial market assessments**
- **the use of a limited number of firms thereby discouraging competitive improvement in the work product**
- **lack of appropriate consideration of ramp-up and value of time**
- **impact of electronic toll collection and violations**

What is a 63-20?

The 63-20 designation refers to Section 103 of the Internal Revenue Code that permits tax-exempt debt to be issued by a non-profit corporation acting "on behalf of" a state or local governmental unit. The association can issue bonds backed by any number of revenue sources, including tolls.

In Virginia, Route 895, the Pochahontas Parkway was financed through a 63-20. Ultimately, while the Commonwealth owns the road, the 63-20 corporation owns the toll revenue stream until the debt is paid off. **While the debt is not debt of the Commonwealth, the association is considered a blended component unit of the Commonwealth for financial reporting purposes.**

Tolls

Assumed Toll Rates
Cents Per Mile

Phase	2007	2009	2012	2014	2020
Cars	-	-	2.5	5.0	7.0
Trucks	-	-	8.5	17.0	23.0

Fluor's proposal assumes that the tolls will increase once every five years by 1 cent per car and 3 cents per truck beginning in 2015. For cars, annual traffic growth is 3 percent each year during the first 5 years of tolls with gradual reduction in growth after that date. Truck volume is expected to grow two percent for years 1 through 18 and decline as well after that.

Currently, Virginia state law does not allow I-81 tolls to be imposed on cars. Fluor will have to address this issue.

For Fluor's proposal, a comparison of the average toll rates per mile for cars and trucks in surrounding states are shown below.

2003 Toll Rates

	Cars	Trucks
Fluor Proposal for I-81 (2014)	5.0 cents	17.0 cents
Delaware Turnpike	18.2	45.0
Maryland (JFK Memorial Highway)	10.0	16.0
Pennsylvania Turnpike	4.1	15.5
New Jersey Turnpike	5.7	19.0
West Virginia Turnpike	4.3	14.5

Fluor also states in the proposal that cars traveling less than 10 miles on I-81 would not be subject to tolls, a reduced rate would be available from 10 to 30 miles and an annual flat toll charge would be considered.

Toll revenues are the only pledged source of revenues for the bonds. Throughout the proposal, Fluor refers to a "net revenue" pledge for the bonds. "Net revenue" typically means that all operations and maintenance expenses are paid first prior to debt service. For example, the Dulles Toll Road's debt is structured with a net revenue pledge for debt service. **However, the proposal is not a pure net revenue pledge because Fluor has assumed that only toll collection expenses are paid from toll revenues and VDOT will continue to pay all other maintenance costs along the I-81 corridor. In FY 03, ordinary maintenance expenditures on I-81 totaled more than $31 million. Preliminary analysis by VDOT staff indicate that with Fluor's improvements, the annual estimated maintenance costs would be $39 million.**

A critical related issue is that in March 2003, FHWA granted a "conditional provisional" to the pilot tolling of I-81 subject to environmental clearances and other federal requirements. The pilot tolling is authorized as part of Section 1216(b) of TEA-21. Upon implementation of the pilot, Interstate Maintenance funds cannot be used on any segment being tolled. This restriction will apply to the general lanes as well as any special purpose lanes and will be in place until all debt is paid off. This restriction places a significant financial risk on the Commonwealth for addressing resurfacing, reconstruction, and restoration of the interstate and its ramps.

Summary

- **As currently proposed, neither proposal assumes limited financial risk.**
  - **Both rely on the creation of a 63-20 corporation for the issuance of debt. This corporation's legal association with either proposer is unclear.**
  - **The bondholders of these bonds are a key financial risk taker.**

- **Because of the size of the project and both proposals plans for "phasing", consideration should be given for phased comprehensive agreements which would limit the financial risk to the bondholders and Commonwealth.**

  Phasing would also mitigate access to the capital markets.
  Phasing would also provide an ability to diversify and mitigate the completion risk.

  The downside of phasing is that the entire corridor may not be completed.

- **The CTB's toll operations consultant as well as each proposer should have a detailed preliminary, but investment grade, toll feasibility study conducted.**

- **Joint and several contract clauses and maximum performance bonds should be obtained.**

- **Both proposals inherently assume increases in traffic volume but neither clearly demonstrate whether the design and capacity of the proposed road improvements will support the projected volume.**